

**Arborwood Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2020**

**Arborwood Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2020**

**TABLE OF CONTENTS**

|  | <u>Page<br/>Number</u> |
|--|------------------------|
| <b>FINANCIAL SECTION</b>   |                        |
| REPORT OF INDEPENDENT AUDITORS   | 1-3                    |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 4-9                    |
| BASIC FINANCIAL STATEMENTS   |                        |
| Government-wide Financial Statements   |                        |
| Statement of Net Position  | 10                     |
| Statement of Activities  | 11                     |
| Fund Financial Statements  |                        |
| Balance Sheet – Governmental Funds   | 12                     |
| Reconciliation of Total Governmental Fund Balance<br>to Net Position of Governmental Activities  | 13                     |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Governmental Funds   | 14                     |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities  | 15                     |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balances – Budget and Actual – General Fund   | 16                     |
| Notes to the Financial Statements  | 17-31                  |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER<br>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN<br>ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 32-33                  |
| MANAGEMENT LETTER  | 34-35                  |
| INDEPENDENT ACCOUNTANTS' REPORT/COMPLIANCE WITH<br>SECTION 218.415, FLORIDA STATUTES   | 36                     |



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Arborwood Community Development District  
Lee County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Arborwood Community Development District as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fort Pierce / Stuart

- 1 -

Member AICPA

Member AICPA Division for CPA Firms  
Private Companies practice Section

Member FICPA

To the Board of Supervisors  
Arborwood Community Development District

### **Basis for Adverse Opinion on the Discretely Presented Component Unit**

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit should have been presented.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit", the financial statements referred to above do not present fairly, the financial position of the discretely presented component unit of the District as of September 30, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the District as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Supervisors  
Arborwood Community Development District

## **Other Matters**

### *Required Supplementary Information*

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated July 16, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arborwood Community Development District's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

July 16, 2021

**Arborwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2020**

Management's discussion and analysis of Arborwood Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) net investment in capital assets 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government and physical environment.

*Fund financial statements* present financial information for governmental funds. These statements provide financial information for the major governmental funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Arborwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including capital assets, are reported in the **statement of net position**. All liabilities obligated but not paid by the District, are included. In the **statement of activities** transactions between the different functions of the District are eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

*Notes to financial statements* provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District is also included in the *notes to financial statements*.

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2020:

- The District's total assets exceeded total liabilities by \$73,301,082 (net position). Unrestricted net position for governmental activities was \$806,645. Restricted net position was \$1,761,587. Net investment in capital assets for governmental activities was \$70,732,850.
- Governmental activities revenues totaled \$6,997,766 while governmental activities expenses totaled \$4,448,368.

**Arborwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

The following tables present condensed, government-wide current year and prior year data about net position and changes in net position. Comparative year data is shown based on the Government financial reporting model under the Governmental Accounting Standards Board Statement No. 34.

|   | <b>Governmental Activities</b> |                      |
|---|--------------------------------|----------------------|
|   | <b>2020</b>                    | <b>2019</b>          |
| <b>Net Position</b>                             |                                |                      |
| Current assets                                  | \$ 664,016                     | \$ 289,898           |
| Prepaid bond insurance                          | 598,030                        | 636,202              |
| Restricted assets                               | 3,984,348                      | 4,284,656            |
| Capital assets                                  | 107,823,967                    | 109,268,782          |
| Total Assets                                    | <u>113,070,361</u>             | <u>114,479,538</u>   |
| Deferred outflows of resources                  | <u>670,291</u>                 | <u>713,267</u>       |
| Current liabilities                             | 2,675,952                      | 2,461,632            |
| Non-current liabilities                         | 37,762,858                     | 41,978,679           |
| Total Liabilities                               | <u>40,438,810</u>              | <u>44,440,311</u>    |
| Deferred inflow of resources                    | <u>760</u>                     | <u>810</u>           |
| Net position - net investment in capital assets | 70,732,850                     | 68,586,742           |
| Net position - restricted                       | 1,761,587                      | 2,036,296            |
| Net position - unrestricted                     | 806,645                        | 128,646              |
| Total Net Position                              | <u>\$ 73,301,082</u>           | <u>\$ 70,751,684</u> |

The increase in current assets was mainly related to the increase in accounts receivable in the current year.

The decrease in capital assets was mainly related to current year depreciation.

The decrease in non-current liabilities is related to principal payments in the current year.

The increase in net investment in capital assets was related to principal payments in excess of depreciation in the current year.

**Arborwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

|                                    | <b>Governmental Activities</b> |                      |
|------------------------------------|--------------------------------|----------------------|
|                                    | <b>2020</b>                    | <b>2019</b>          |
| Program Revenues                   |                                |                      |
| Charges for services               | \$ 6,556,659                   | \$ 5,427,899         |
| Operating grants and contributions | 406,022                        | 747,324              |
| General Revenues                   |                                |                      |
| Miscellaneous revenues             | 18,149                         | -                    |
| Investment earnings                | 16,936                         | 43,051               |
| Total Revenues                     | <u>6,997,766</u>               | <u>6,218,274</u>     |
| Expenses                           |                                |                      |
| General government                 | 138,959                        | 180,464              |
| Physical environment               | 2,292,015                      | 2,280,743            |
| Interest and other charges         | 2,017,394                      | 2,185,963            |
| Total Expenses                     | <u>4,448,368</u>               | <u>4,647,170</u>     |
| Change in Net Position             | 2,549,398                      | 1,571,104            |
| Net Position – Beginning of Year   | 70,751,684                     | 69,180,580           |
| Net Position – End of Year         | <u>\$ 73,301,082</u>           | <u>\$ 70,751,684</u> |

The increase in charges for services is primarily related to additional special assessments in the current year.

The decrease in operating grants and contributions is related to a reduced developer contribution for current year debt service.

The decrease in interest and other charges is related to the reduction in bonds outstanding.

**Arborwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets as of September 30, 2020 and 2019.

| <u>Description</u>             | <u>Governmental Activities</u> |                       |
|--------------------------------|--------------------------------|-----------------------|
|                                | <u>2020</u>                    | <u>2019</u>           |
| Land                           | \$ 84,410,571                  | \$ 84,410,571         |
| Construction in progress       | 1,885,681                      | 1,322,338             |
| Infrastructure                 | 39,039,107                     | 39,039,107            |
| Improvements                   | 562,032                        | 562,032               |
| Less: Accumulated depreciation | <u>(18,073,424)</u>            | <u>(16,065,266)</u>   |
| Capital Assets, Net            | <u>\$ 107,823,967</u>          | <u>\$ 109,268,782</u> |

The capital asset activity for the current year was depreciation of \$2,008,158 and additions to construction in progress of \$563,343.

**General Fund Budgetary Highlights**

The budget exceeded actual expenditures primarily because of lower tree-line maintenance and tax roll expenditures than were anticipated.

There was an amendment to the September 30, 2020 budget to amend budgeted expenditures to align with actual amounts.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ In December 2014, the District issued \$4,939,888 Capital Improvement Revenue Refunding Bonds, Series 2014A-1, \$1,041,652 Capital Improvement Revenue Refunding Bonds, Series 2014A-2 and \$9,097,400 Capital Improvement Revenue Refunding Bonds, Series 2014B. The bonds included a provision for accreted interest through May 1, 2016, which increased the outstanding balances to \$5,430,000, \$1,145,000 and \$10,000,000. The bonds were issued to refund Series 2005A-1, Series 2005B-1, and Series 2006 A-1 bonds. The balance outstanding at September 30, 2020 was \$4,755,000 for the A-1 bond, \$1,005,000 for the A-2 bond and \$4,340,000 for the B bond.
- ◆ In February 2018, the District issued \$24,465,000 Capital Improvement Revenue and Refunding Bonds, Series 2018A-1 and \$8,740,000 Capital Improvement Revenue and Refunding Bonds, Series 2018A-2. The Bonds were issued to (i) finance the cost of acquiring, constructing and equipping assessable improvements; (ii) currently refund and redeem all of Series 2005A-2, Series 2006A-2, and Series 2006A-3 bonds; (iii) pay certain costs associated with the issuance of the Series 2018 Bonds; and (iv) purchase the Reserve Policy to be deposited to the Series 2018A-1 Reserve Account. The balance outstanding at September 30, 2020 was \$22,135,000 for the A-1 bond, and \$7,615,000 for the A-2 bond.

**Arborwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Economic Factors and Next Year's Budget**

The District does not anticipate any economic factors to have a significant effect on the financial position or the results of operations in fiscal year 2021.

**Request for Information**

The financial report is designed to provide a general overview of Arborwood Community Development District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Arborwood Community Development District, Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.

**Arborwood Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2020**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                             |                                    |
| Current Assets                            |                                    |
| Cash and investments                      | \$ 223,390                         |
| Accounts receivable                       | 296,676                            |
| Assessments receivable                    | 141,960                            |
| Due from other governments                | 1,990                              |
| Total Current Assets                      | 664,016                            |
| Non-current Assets                        |                                    |
| Prepaid bond insurance                    | 598,030                            |
| Restricted Assets:                        |                                    |
| Investments                               | 3,984,348                          |
| Capital Assets:                           |                                    |
| Assets not being depreciated              |                                    |
| Land and improvements                     | 84,410,571                         |
| Construction in progress                  | 1,885,681                          |
| Assets being depreciated                  |                                    |
| Infrastructure                            | 39,039,107                         |
| Improvements                              | 562,032                            |
| Less: accumulated depreciation            | (18,073,424)                       |
| Total Non-current Assets                  | 112,406,345                        |
| Total Assets                              | 113,070,361                        |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                    |
| Deferred amount on refunding              | 670,291                            |
| <br><b>LIABILITIES</b>                    |                                    |
| Current Liabilities                       |                                    |
| Accounts payable and accrued expenses     | 306,702                            |
| Bonds payable, current                    | 1,630,000                          |
| Accrued interest payable                  | 739,250                            |
| Total Current Liabilities                 | 2,675,952                          |
| Non-current Liabilities                   |                                    |
| Bonds payable, net                        | 37,762,858                         |
| Total Liabilities                         | 40,438,810                         |
| <br><b>DEFERRED INFLOW OF RESOURCES</b>   |                                    |
| Deferred gain on refunding                | 760                                |
| <br><b>NET POSITION</b>                   |                                    |
| Net investment in capital assets          | 70,732,850                         |
| Restricted for debt service               | 1,761,587                          |
| Unrestricted                              | 806,645                            |
| Total Net Position                        | \$ 73,301,082                      |

See accompanying notes to financial statements.

**Arborwood Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2020**

| <b>Functions/Programs</b>         | <b>Program Revenues</b> |                    |                      | <b>Net (Expense)</b> |
|-----------------------------------|-------------------------|--------------------|----------------------|----------------------|
| <b>Primary Government</b>         | <b>Expenses</b>         | <b>Charges for</b> | <b>Operating</b>     | <b>Revenues and</b>  |
|                                   |                         | <b>Services</b>    | <b>Contributions</b> | <b>Changes in</b>    |
|                                   |                         |                    |                      | <b>Net Position</b>  |
| <b>Governmental Activities</b>    | <b>Governmental</b>     |                    |                      | <b>Activities</b>    |
| Governmental Activities           |                         |                    |                      |                      |
| General government                | \$ (175,777)            | \$ 199,709         | \$ -                 | \$ 23,932            |
| Physical environment              | (2,292,015)             | 322,505            | -                    | (1,969,510)          |
| Interest and other charges        | (1,980,576)             | 6,034,445          | 406,022              | 4,459,891            |
| Total Governmental Activities     | \$ (4,448,368)          | \$ 6,556,659       | \$ 406,022           | 2,514,313            |
| <b>General Revenues</b>           |                         |                    |                      |                      |
|                                   |                         |                    |                      | 16,936               |
| Investment earnings               |                         |                    |                      | 18,149               |
| Miscellaneous revenues            |                         |                    |                      | 35,085               |
| Total General Revenues            |                         |                    |                      | 35,085               |
|                                   |                         |                    |                      | 2,549,398            |
|                                   |                         |                    |                      | 70,751,684           |
| Net Position - October 1, 2019    |                         |                    |                      | 70,751,684           |
| Net Position - September 30, 2020 |                         |                    |                      | \$ 73,301,082        |

See accompanying notes to financial statements.

**Arborwood Community Development District**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**September 30, 2020**

| <b>ASSETS</b>                         | General           | Debt Service<br>2014 | Debt Service<br>2018 | Capital Projects<br>2018 | Total<br>Governmental<br>Funds |
|---------------------------------------|-------------------|----------------------|----------------------|--------------------------|--------------------------------|
| Cash and cash equivalents             | \$ 223,390        | \$ -                 | \$ -                 | \$ -                     | \$ 223,390                     |
| Accounts receivable                   | 296,676           | -                    | -                    | -                        | 296,676                        |
| Assessments receivable                | 2,356             | 139,604              | -                    | -                        | 141,960                        |
| Due from other funds                  | 1,702             | 1,263                | 7,072                | -                        | 10,037                         |
| Due from other governments            | 288               | 258                  | 1,444                | -                        | 1,990                          |
| Restricted assets:                    |                   |                      |                      |                          |                                |
| Investments                           | -                 | 2,570,746            | 1,367,375            | 46,227                   | 3,984,348                      |
| Total Assets                          | <u>\$ 524,412</u> | <u>\$ 2,711,871</u>  | <u>\$ 1,375,891</u>  | <u>\$ 46,227</u>         | <u>\$ 4,658,401</u>            |
| <b>LIABILITIES AND FUND BALANCES</b>  |                   |                      |                      |                          |                                |
| Liabilities                           |                   |                      |                      |                          |                                |
| Accounts payable and accrued expenses | \$ 306,702        | \$ -                 | \$ -                 | \$ -                     | \$ 306,702                     |
| Due to other funds                    | 8,335             | 258                  | 1,444                | -                        | 10,037                         |
| Total Liabilities                     | <u>315,037</u>    | <u>258</u>           | <u>1,444</u>         | <u>-</u>                 | <u>316,739</u>                 |
| Fund Balances:                        |                   |                      |                      |                          |                                |
| Restricted:                           |                   |                      |                      |                          |                                |
| Capital projects                      | -                 | -                    | -                    | 46,227                   | 46,227                         |
| Debt service                          | -                 | 2,711,613            | 1,374,447            | -                        | 4,086,060                      |
| Unassigned                            | 209,375           | -                    | -                    | -                        | 209,375                        |
| Total Fund Balances                   | <u>209,375</u>    | <u>2,711,613</u>     | <u>1,374,447</u>     | <u>46,227</u>            | <u>4,341,662</u>               |
| Total Liabilities and Fund Balances   | <u>\$ 524,412</u> | <u>\$ 2,711,871</u>  | <u>\$ 1,375,891</u>  | <u>\$ 46,227</u>         | <u>\$ 4,658,401</u>            |

*See accompanying notes to financial statements.*

**Arborwood Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2020**

|   |                             |
|---|-----------------------------|
| Total Governmental Fund Balances  | \$ 4,341,662                |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                             |
| Capital assets not being depreciated, land (\$84,410,571) and construction in progress (\$1,885,681) used in governmental activities are not current financial resources and; are not reported in the fund level statements.                                    | 86,296,252                  |
| Capital assets being depreciated, infrastructure (\$39,039,107) and improvements (\$562,032) net of accumulated depreciation (\$18,073,424)), used in governmental activities are not current financial resources and; therefore are not reported in the funds. | 21,527,715                  |
| Long-term liabilities, including bonds payable are not due and payable in the current period and; are not reported in the fund level statements.  | (39,850,000)                |
| The bonds payable include a discount on bonds (\$532,521); net of accumulated amortization (\$75,379)); which is reflected as a decrease to bonds payable.  | 457,142                     |
| Prepaid bond insurance is not related to the current period, and therefore, is not reported at the fund level.  | 598,030                     |
| The deferred amount on refunding is a deferred outflow of resources, not related to the current period and are not reported at the fund level.  | 670,291                     |
| The deferred gain on refunding is a deferred inflow of resources, not related to the current period and are not reported at the fund level.   | (760)                       |
| Accrued interest expense for long-term debt is not a current financial use and is not reported in the funds level statements.   | <u>(739,250)</u>            |
| Net Position of Governmental Activities   | <u><u>\$ 73,301,082</u></u> |

*See accompanying notes to financial statements.*

**Arborwood Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2020**

|                                    | General           | Debt Service<br>2014 | Debt Service<br>2018 | Capital<br>Projects 2018 | Total<br>Governmental<br>Funds |
|------------------------------------|-------------------|----------------------|----------------------|--------------------------|--------------------------------|
| Revenues                           |                   |                      |                      |                          |                                |
| Special assessments                | \$ 522,214        | \$ 3,246,809         | \$ 2,787,636         | \$ -                     | \$ 6,556,659                   |
| Developer contributions            | -                 | 406,022              | -                    | -                        | 406,022                        |
| Miscellaneous revenues             | 18,149            | -                    | -                    | -                        | 18,149                         |
| Investment earnings                | -                 | 14,828               | 1,768                | 340                      | 16,936                         |
| Total Revenues                     | <u>540,363</u>    | <u>3,667,659</u>     | <u>2,789,404</u>     | <u>340</u>               | <u>6,997,766</u>               |
| Expenditures                       |                   |                      |                      |                          |                                |
| Current                            |                   |                      |                      |                          |                                |
| General government                 | 175,777           | -                    | -                    | -                        | 175,777                        |
| Physical environment               | 283,857           | -                    | -                    | -                        | 283,857                        |
| Capital outlay                     | -                 | -                    | -                    | 563,343                  | 563,343                        |
| Debt service                       |                   |                      |                      |                          |                                |
| Principal                          | -                 | 2,350,000            | 1,875,000            | -                        | 4,225,000                      |
| Interest                           | -                 | 829,035              | 1,131,344            | -                        | 1,960,379                      |
| Total Expenditures                 | <u>459,634</u>    | <u>3,179,035</u>     | <u>3,006,344</u>     | <u>563,343</u>           | <u>7,208,356</u>               |
| Net change in fund balances        | 80,729            | 488,624              | (216,940)            | (563,003)                | (210,590)                      |
| Fund Balances - October 1, 2019    | <u>128,646</u>    | <u>2,222,989</u>     | <u>1,591,387</u>     | <u>609,230</u>           | <u>4,552,252</u>               |
| Fund Balances - September 30, 2020 | <u>\$ 209,375</u> | <u>\$ 2,711,613</u>  | <u>\$ 1,374,447</u>  | <u>\$ 46,227</u>         | <u>\$ 4,341,662</u>            |

*See accompanying notes to financial statements.*

**Arborwood Community Development District  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (210,590)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. At the government wide level these expenditures are capitalized as capital assets and depreciated over their useful lives. This is the amount that depreciation, \$(2,008,158) exceeded capital outlay, \$563,343, in the current year. (1,444,815)

Principal payments are reported as expenditures at the fund level since they use current financial resources. However at the government-wide level, bond payments decrease long-term liabilities. 4,225,000

The deferred gain on refunding is recognized as a component of interest expense over the remaining life of the bond. This is the current year amortization expense associated with the deferred inflow of resources. 50

At the government wide level, interest is accrued on outstanding debt; whereas at the fund level interest expenditures are reported when due. This is the difference between the prior year and current year accruals. 90,080

At the government-wide level bond discounts, bond insurance and deferred amount on refunding are amortized over the life of the bonds. This is the current year amortization expense. (110,327)

Change in Net Position of Governmental Activities \$ 2,549,398

*See accompanying notes to financial statements.*

**Arborwood Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –**  
**GENERAL FUND**  
**For the Year Ended September 30, 2020**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues                                     |                            |                         |                   |   |
| Special assessments                          | \$ 508,195                 | \$ 522,778              | \$ 522,214        | \$ (564)  |
| Miscellaneous revenues                       | -                          | 18,152                  | 18,149            | (3)   |
| Total Revenues                               | <u>508,195</u>             | <u>540,930</u>          | <u>540,363</u>    | <u>(567)</u>  |
| Expenditures                                 |                            |                         |                   |   |
| Current                                      |                            |                         |                   |   |
| General government                           | 190,495                    | 173,351                 | 175,777           | (2,426)   |
| Physical environment                         | <u>317,700</u>             | <u>291,268</u>          | <u>283,857</u>    | <u>7,411</u>  |
| Total Expenditures                           | <u>508,195</u>             | <u>464,619</u>          | <u>459,634</u>    | <u>4,985</u>  |
| Excess of revenues over/(under) expenditures | -                          | 76,311                  | 80,729            | 4,418   |
| Fund Balances - October 1, 2019              | <u>-</u>                   | <u>-</u>                | <u>128,646</u>    | <u>128,646</u>  |
| Fund Balances - September 30, 2020           | <u>\$ -</u>                | <u>\$ 76,311</u>        | <u>\$ 209,375</u> | <u>\$ 133,064</u>   |

See accompanying notes to financial statements.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**1. Reporting Entity**

The District was established on June 14, 2004, pursuant to the Rule 42RR-1, Florida Administrative Code and Chapter 190, Florida Statutes. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Arborwood Community Development District. The District is governed by a five-member Board of Supervisors who are elected for four year terms. The District operates within the criteria established by Chapter 190, Florida Statutes.

As required by GAAP, these financial statements present the Arborwood Community Development District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the Financial Reporting Entity, the District has identified one component unit.

Arborwood CDD Holdings, Inc. (SPE) – Arborwood CDD Holdings, Inc. is a special purpose entity (SPE) created by provisions in the Trust indenture for the 2005A and 2005B Capital Improvement Revenue Bonds for the temporary purpose of owning, maintaining, selling or disposing of the property related to the bonds. The SPE and its operations, pursuant to an agreement between the SPE, the District and the U.S. Bank National Association (the "Trustee"), are funded from a \$1,335,000 loan from the District prior to the exchange of the 2005A and 2005B Bonds. The Parcel C lands were sold in December 2014 and the loan was repaid. Certain proceeds from the sale of the land were deposited into the SPE and the SPE has not provided the District with any financial information. The SPE is still active, although, the SPE does not hold any assets or liabilities.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting**

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

**a. Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are primarily supported by special assessments. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**b. Fund Financial Statements**

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds**

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

**Nonspendable Fund Balance** – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

**Restricted Fund Balance** – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Assigned Fund Balance** – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

**Unassigned Fund Balance** – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

**Fund Balance Spending Hierarchy** – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their current financial resource measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

**3. Basis of Presentation**

**a. Governmental Major Funds**

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2014 Debt Service Fund – Accounts for debt service requirements to retire the capital improvement bonds which were used to refund Series 2005 A-1, Series 2005 B-1, Series 2005-1 and Series 2006 A-1 bonds. The bond series is secured by a pledge (lien) of all debt service special assessment revenues on all acreage of benefited land.

2018 Debt Service Fund – Accounts for debt service requirements to retire the capital improvement and revenue refunding bonds which were used to fund a capital project and refund the outstanding Series 2005 and Series 2006 bonds. The bond series is secured by a pledge (lien) of all debt service special assessment revenues on all acreage of benefited land.

2018 Capital Projects Fund – The Project Fund accounts for construction of infrastructure improvements funded by the Series 2018 Bonds within the boundaries of the District.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Basis of Presentation (Continued)**

**b. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, be reported in the governmental activities column in the government-wide Statement of Net Position.

**4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position**

**a. Cash and Investments**

Chapter 280, Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Chapter 280.02, Florida Statutes.

**b. Restricted Assets**

Certain assets of the District are classified as restricted assets on the Statement of Net Position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

**c. Capital Assets**

Capital assets, which include land, construction in progress, infrastructure, improvements and equipment, are reported in governmental activities.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Continued)**

**c. Capital Assets (Continued)**

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

|                            |             |
|----------------------------|-------------|
| Buildings and improvements | 7-39 years  |
| Infrastructure             | 20-40 years |
| Improvement                | 10 years    |
| Machinery and equipment    | 5-10 years  |

**d. Unamortized Bond Discounts**

Bond discounts associated with the issuance of revenue bonds are amortized according to the effective interest method. For financial reporting, unamortized bond discounts are netted against the applicable long-term debt.

**e. Prepaid Bond Insurance**

Bond insurance associated with the issuance of new debt. The prepaid amount will be amortized over the life of the associated bonds.

**f. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources is the consumption of net position by the government that is applicable to a future reported period. Deferred amount on refunding is amortized and recognized as a component of interest expense over the life of the bond.

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District only has one time that qualifies for reporting in the category. Unavailable revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amounts become available.

**Arborwood Community Development District  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Continued)**

**g. Budgets**

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190 Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. Formal budgets are adopted for the general and debt service funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end.

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

“Total fund balances” of the District’s governmental funds, \$4,341,662, differs from “net position” of governmental activities, \$73,301,082, reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated below.

**Capital related items**

When capital assets (land and improvements and construction in progress that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

|                                |                       |
|--------------------------------|-----------------------|
| Land and improvements          | \$ 84,410,571         |
| Construction in progress       | 1,885,681             |
| Infrastructure                 | 39,039,107            |
| Improvements                   | 562,032               |
| Less: accumulated depreciation | <u>(18,073,424)</u>   |
| Total                          | <u>\$ 107,823,967</u> |

**Prepaid bond insurance**

Prepaid bond insurance is a non-current asset related to insurance purchased at the time new debt was issued by the District.

|                             |                   |
|-----------------------------|-------------------|
| Prepaid bond insurance, net | <u>\$ 598,030</u> |
|-----------------------------|-------------------|

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)**

**Deferred outflows of resources**

The deferred amount on refunding is reported at the fund level as an expenditure, at the government-wide level it is reported as a deferred outflow of resources.

|                                   |                   |
|-----------------------------------|-------------------|
| Deferred amount on refunding, net | \$ <u>670,291</u> |
|-----------------------------------|-------------------|

**Long-term debt transactions**

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

|               |                        |
|---------------|------------------------|
| Bonds payable | \$ <u>(39,850,000)</u> |
|---------------|------------------------|

Certain discounts are reflected net of amortization expense as a reduction of bonds payable in the Statement of Net Position.

|                     |                   |
|---------------------|-------------------|
| Bonds discount, net | \$ <u>457,142</u> |
|---------------------|-------------------|

**Deferred inflow of resources**

The deferred gain on refunding is a deferred inflow of resources over the remaining life of the bond and not related to the current period. Accordingly, deferred inflow of resources are not reported in the fund level financial statements.

|                            |                 |
|----------------------------|-----------------|
| Deferred gain on refunding | \$ <u>(760)</u> |
|----------------------------|-----------------|

**Accrued interest**

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to the accrued interest on bonds.

|                  |                     |
|------------------|---------------------|
| Accrued interest | \$ <u>(739,250)</u> |
|------------------|---------------------|

**Arborwood Community Development District  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2020**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for government funds, \$(210,590), differs from the “change in net position” for governmental activities, \$2,549,398, reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation charged for the year.

|                |                     |
|----------------|---------------------|
| Depreciation   | \$ (2,008,158)      |
| Capital outlay | <u>\$563,343</u>    |
| Total          | <u>\$ 1,444,815</u> |

**Long-term debt transactions**

The issuance of long-term debt and bond discount is reported as an other financing source/(use) and the repayments of bond principal are reported as expenditures in the governmental funds and, thus, effect fund balance because current financial resources have been added or used.

|                    |                     |
|--------------------|---------------------|
| Principal payments | <u>\$ 4,225,000</u> |
|--------------------|---------------------|

In the Statement of Activities, the deferred gain on refunding is recognized as a reduction of interest expense and amortized over the remaining life of the bond.

|   |              |
|---|--------------|
| Deferred gain on refunding amortization | <u>\$ 50</u> |
|---|--------------|

In the Statement of Activities, bond discounts, prepaid bond insurance and deferred amounts on refunding are amortized over the life of the bonds at the government-wide level. This is the amount of current year amortization.

|              |                     |
|--------------|---------------------|
| Amortization | <u>\$ (110,327)</u> |
|--------------|---------------------|

**Arborwood Community Development District  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)**

At the government -wide level interest is accrued on long term debt, whereas, at the fund level interest is recognized when paid. This is the current year change in accrued interest.

|                  |                  |
|------------------|------------------|
| Accrued interest | \$ <u>90,080</u> |
|------------------|------------------|

**NOTE C – CASH AND INVESTMENTS**

All operating deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2020, the District's bank balance was \$223,759 and the carrying value was \$223,390. Exposure to custodial credit risk was as follows. The District maintains cash deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2020, the District had the following investments and maturities:

| Investment                                   | Maturities | Fair Value          |
|--|------------|---------------------|
| First American Government<br>Obligation Fund | 44 days*   | \$ 2,570,746        |
| U S Bank Money Market Fund                   | N/A        | <u>1,413,602</u>    |
| Total  |            | <u>\$ 3,984,348</u> |

\*Weighted average maturity

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE C – CASH AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk – Deposits (Continued)

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Based on the criteria in the preceding paragraph, the investment in First American Government Obligation Fund is a Level 1 asset.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2020, the District's investment in the First American Government Obligation Fund was rated AAAm by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one investment. The investments in First American Government Obligation Fund are 65% and the U S Bank Money Market Fund are 35% of the District's total investments. The District considers any decline in fair value for certain investments to be temporary.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020 was as follows:

|   | Balance<br>October 1,<br>2019 | Additions             | Deletions   | Balance<br>September 30,<br>2020 |
|---|-------------------------------|-----------------------|-------------|----------------------------------|
| Governmental Activities:                |                               |                       |             |                                  |
| Capital assets, not being depreciated   |                               |                       |             |                                  |
| Land and improvements                   | \$ 84,410,571                 | \$ -                  | \$ -        | \$ 84,410,571                    |
| Construction in progress                | 1,322,338                     | 563,343               | -           | 1,885,681                        |
| Total Capital Assets, Not Depreciated   | <u>85,732,909</u>             | <u>563,343</u>        | <u>-</u>    | <u>86,296,252</u>                |
| Capital assets, being depreciated       |                               |                       |             |                                  |
| Infrastructure                          | 39,039,107                    | -                     | -           | 39,039,107                       |
| Improvements                            | 562,032                       | -                     | -           | 562,032                          |
| Total Capital Assets, Being Depreciated | <u>39,601,139</u>             | <u>-</u>              | <u>-</u>    | <u>39,601,139</u>                |
| Less accumulated depreciation for:      |                               |                       |             |                                  |
| Infrastructure                          | (15,615,642)                  | (1,951,955)           | -           | (17,567,597)                     |
| Improvements                            | (449,624)                     | (56,203)              | -           | (505,827)                        |
| Total Accumulated Depreciation          | <u>(16,065,266)</u>           | <u>(2,008,158)</u>    | <u>-</u>    | <u>(18,073,424)</u>              |
| Total Capital Assets Depreciated, net   | <u>23,535,873</u>             | <u>(2,008,158)</u>    | <u>-</u>    | <u>21,527,715</u>                |
| Total Capital Assets, net               | <u>\$ 109,268,782</u>         | <u>\$ (1,444,815)</u> | <u>\$ -</u> | <u>\$ 107,823,967</u>            |

Depreciation of \$2,008,158 was charged to physical environment.

**NOTE E – INTERFUND BALANCES**

Interfund balances at September 30, 2020, consisted for the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u>       |                           | Total           |
|------------------------|---------------------------|---------------------------|-----------------|
|                        | Debt Service<br>Fund 2014 | Debt Service<br>Fund 2018 |                 |
| General Fund           | <u>\$ 16,502</u>          | <u>\$ 13,683</u>          | <u>\$30,185</u> |

Interfund balances relate to expenses paid by the General Fund for the Debt Service Funds.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE F-- LONG-TERM DEBT**

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2020:

|   |                             |
|---|-----------------------------|
| Bonds payable at October 1, 2019        | \$ 44,075,000               |
| Bond payments                           | <u>(4,225,000)</u>          |
| Bond payable at September 30, 2020      | 39,850,000                  |
| Less: Bond discount, net                | <u>(457,142)</u>            |
| Bond Payable, Net at September 30, 2020 | <u><u>\$ 39,392,858</u></u> |

**Capital Improvement Revenue Bonds**

Series 2014 A-1 Capital Improvement Revenue Refunding Bonds, \$5,430,000, maturing in May 2036. Interest at a rate of 6.90% is due November 1, beginning November 2016. \$ 4,755,000

Series 2014 A-2 Capital Improvement Revenue Refunding Bonds, \$1,145,000, maturing in May 2036. Interest at a rate of 6.90% is due November 1, beginning November 2016. 1,005,000

Series 2014 B Capital Improvement Revenue Refunding Bonds, \$10,000,000, maturing in November 2025. Interest at a rate of 6.90% is due November 1, beginning November 2016. 4,340,000

Series 2018 A-1 Capital Improvement Revenue and Refunding Bonds, \$24,465,000, due in annual principal installments beginning May 2019, maturing in May 2036. Interest rates ranging from 2.00% to 3.70% is due May 1 and November 1, beginning May 2018. 22,135,000

Series 2018 A-2 Capital Improvement Revenue and Refunding Bonds, \$8,740,000, due in annual principal installments beginning May 2019, maturing in May 2036. Interest rates ranging from 4.125% to 5.000% is due May 1 and November 1, beginning May 2018. 7,615,000

|                    |                             |
|--------------------|-----------------------------|
| Bonds payable      | 39,850,000                  |
| Bond discount, net | <u>(457,142)</u>            |
| Bond Payable, Net  | <u><u>\$ 39,392,858</u></u> |

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2020 are as follows:

| <u>Year Ending<br/>September 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------------|----------------------|----------------------|----------------------|
| 2021                                 | \$ 1,630,000         | \$ 1,774,199         | \$ 3,404,199         |
| 2022                                 | 1,690,000            | 1,723,411            | 3,413,411            |
| 2023                                 | 1,740,000            | 1,668,688            | 3,408,688            |
| 2024                                 | 1,800,000            | 1,609,217            | 3,409,217            |
| 2025                                 | 6,215,000            | 1,544,175            | 7,759,175            |
| 2026-2030                            | 10,615,000           | 5,051,751            | 15,666,751           |
| 2031-2035                            | 13,150,000           | 2,535,755            | 15,685,755           |
| 2036                                 | 3,010,000            | 138,320              | 3,148,320            |
| Totals                               | <u>\$ 39,850,000</u> | <u>\$ 16,045,516</u> | <u>\$ 55,895,516</u> |

Summary of Significant Bonds Resolution Terms and Covenants

Capital Improvement Revenue Bonds, Series 2014A-1, 2014A-2, 2014B, 2018A-1 and 2018A-2.

Depository Funds – The bond indentures establish certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund – The Series 2014A1/A2, 2014B, 2018A-1, and 2018A-2 Capital Improvement Revenue Bonds Reserve Accounts are funded from the proceeds of the Bonds in an amount equal to reserve accounts percentage times the deemed outstanding principal amount of the bonds, as of the time of any such calculation. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

|   | <u>Reserve<br/>Balance</u> | <u>Reserve<br/>Requirement</u> |
|---|----------------------------|--------------------------------|
| Series 2014A-1 Capital Improvement Revenue Refunding Bond | \$ 503,233                 | \$ 312,217                     |
| Series 2014A-2 Capital Improvement Revenue Refunding Bond | \$ 107,960                 | \$ 106,580                     |
| Series 2014B Capital Improvement Revenue Refunding Bond   | \$ 345,000                 | \$ 345,000                     |
| Series 2018A-1 Capital Improvement Revenue Refunding Bond | \$ 454,544                 | \$ 454,543                     |
| Series 2018A-2 Capital Improvement Revenue Refunding Bond | \$ 345,886                 | \$ 365,883                     |

The District also holds a bond insurance policy in partial satisfaction of the Series 2018A-1 Reserve Account Requirement.

**Arborwood Community Development District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE G – RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no claims or settled claims from these risks have not exceeded commercial insurance coverage.

**NOTE H – TRI-PARTY AGREEMENT**

On June 19, 2009, the District filed a complaint against one of the original developers (the "Developer") and the bank holding the mortgage (the "Mortgage Holder") seeking to foreclose special assessments levied by the District to secure the District's Series 2005 School Site Acquisition Bonds, Series 2005A Bonds, Series 2005B Bonds and Series 2006A-1 Bonds. The complaint also seeks to foreclose special assessments levied to fund the District's operation and maintenance expenses for Fiscal Year 2009. After the lawsuit was filed, the Developer transferred its interest in the subject real property to a separate landowner who, in turn, transferred the real property to a significant landowner (the "Landowner"). The Landowner has now intervened, but the Landowner's intervention is subordinate to the main proceeding. With the transfer of the real property to the landowner, the Mortgage Holder released its mortgage and as a result, the District voluntarily dismissed the Mortgage Holder from the foreclosure on December 21, 2010. In addition, the Developer ceased defending the action, and the Court entered a default against it. Presently, the Landowner and the District are the only parties actively involved in the litigation. The Court entered partial summary judgment in favor of the District on July 23, 2012.

In March 2013, the Board adopted Resolution 2013-04, which approved the bifurcation of the Series 2005 A and B Bonds, a Tri-Party Agreement and a Forbearance Agreement.

As of September 30, 2020, the "SPE" did not hold any assets or liabilities.

**NOTE I – SUBSEQUENT EVENT**

In November 2020 and May 2021, the District made prepayments on the Series 2014B Bonds in the amount of \$1,545,000 and \$1,210,000, respectively.

In addition, in November 2020 and May 2021, the District made prepayments on the Series 2018A-2 Bonds in the amount of \$15,000 and \$10,000, respectively.



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
Arborwood Community Development District  
Lee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arborwood Community Development District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated July 16, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Arborwood Community Development District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arborwood Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Arborwood Community Development District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Supervisors  
Arborwood Community Development District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Arborwood Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

July 16, 2021



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## MANAGEMENT LETTER

To the Board of Supervisors  
Arborwood Community Development District  
Lee County, Florida

### Report on the Financial Statements

We have audited the financial statements of the Arborwood Community Development District as of and for the year ended September 30, 2020, and have issued our report thereon dated July 16, 2021. Our report was modified to address various issues associated with the financial statements not including the activity of a legally separate component unit (a Special Purpose Entity).

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated July 16, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been made to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding financial audit report.



Berger, Toombs, Elam,  
Gaines & Frank  
Certified Public Accountants PL

To the Board of Supervisors  
Arborwood Community Development District

### **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not Arborwood Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Arborwood Community Development District did not meet one of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2020 for the Arborwood Community Development District. It is management's responsibility to monitor the Arborwood Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam  
Gaines + Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

July 16, 2021



**Berger, Toombs, Elam,  
Gaines & Frank**

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

**INDEPENDENT ACCOUNTANTS' REPORT/COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors  
Arborwood Community Development District  
Lee County, Florida

We have examined Arborwood Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2020. Management is responsible for Arborwood Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Arborwood Community Development District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Arborwood Community Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Arborwood Community Development District's compliance with the specified requirements.

In our opinion, Arborwood Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

*Berger Toombs Elam  
Gaines + Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

July 16, 2021